

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /096 W

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R 102230Z SEP 76

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 1502

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 6525

E.O. 11652: GDS

TAGS: ENRG EC

SUBJ: TEXACO-GOE NEGOTIATIONS STALLED

REF: QUITO 6166

1. SUMMARY: WHAT APPEARED TO BE PROMISING NEGOTIATIONS BETWEEN TEXACO AND THE MINISTRY OF FINANCE REGARDING INVESTMENT AND OTHER ISSUES HAVE NOW BECOME STALLED. CEPE-TEXACO NEGOTIATIONS ON DECREE 285 ARE ALSO STALLED. NONETHELESS, TEXACO REMAINS HOPEFUL THAT CEPE'S NEED FOR ITS EXPERTISE WILL UNTIMATELY FORCE A SETTLEMENT. END SUMMARY.

2. TEXACO PRODUCTION MANAGER FOR LATIN AMERICA, MAX CRAWFORD, AND LOCAL MANAGER MIKE MARTINEZ, CALLED ON AMBASSADOR SEPTEMBER 10 AND REPORTED LACK OF PROGRESS IN TEXACO-GOE NEGOTIATIONS. CRAWFORD SAID THAT ALTHOUGH NEGOTIATIONS WITH MINISTER OF FINANCE ROBALINO SEEMED PROMISING SEVERAL WEEKS AGO (REFTEL), ROBALINO IS NOW SUPPORTING VARGAS' OFT-STATED POSITION THAT TEXACO-GULF'S INVESTMENT IN THE PIPELINE BE EXCLUDED FROM CALCULATIONS OF TOTAL INVESTMENT. THUS, ROBALINO CLAIMS THAT TEXACO'S CURRENT RATE OF RETURN, BASED ON INVESTMENT IN PRODUCTION
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ALSONE, IS SUFFICIENT TO ALLOW FURTHER INVESTMENT. ROBALINO

ALSO AGREES WITH VARGAS THAT PIPELINE COST WAS ONLY \$70 MILLION RATHER THAN THE \$100 MILLION TEXACO AND GULF CALIM. CRAWFORD SAID HE HAD DISCUSSED THESE POINTS WITH ADMIRAL POVEDA ON SEPTEMBER 9 AND EMPHASIZED TO HIM THAT TEXACO FOUND ROBALINO'S POSITION COMPLETELY UNACCEPTABLE.

3. CRAWFORD SAID TEXACO WAS STILL NEGOTIATING WITH CEPE REGARDING REPLACEMENT OF THE OFFTAKE AGREEMENT FOR DECREE 285. CRAWFORD SAID THE AMOUNT OF CEPE'S PURCHASE OF TEXACO-GULF CRUDE WAS STILL IN QUESTION, BUT HE DID NOT CONSIDER THIS AND OTHER DIFFERENCES "MAJOR."

4. ALTHOUGH MARTINEZ AND CRAWFORD AGREED THERE WAS LITTLE HOPE OF AN IMMEDIATE SETTLEMENT ON THESE OUTSTANDING ISSUES, THEY FEEL THAT THE GOE'S NEED FOR TEXACO TECHNICAL EXPERTISE AND PARTICULARLY MARKETING ABILITY IN THE EVENT OF A GULF WITHDRAWAL WILL ULTIMATELY FORCE A SETTLEMENT WITH THE GOE. MARTINEZ COMMENTED THAT CEPE NOW SEEMS TO BE HAVING DIFFICULTIES IN MOVING ITS CRUDE, AND BOTH TEXACO OFFICIALS CONSIDERED IT VERY LIKELY THAT GULF WOULD ATTEMPT TO ATTACH THE PROCEEDS IN FOREIGN COURTS OF ALL CEPE SALES IN THE EVENT OF CADUCITY OF GULF'S CONCESSION.
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